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Grain and Feed

Annual

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Report Highlights:

Wheat production is forecast to increase slightly in Marketing Year (MY) 2004/05, up 6 percent from the previous marketing year. Total wheat production is forecast at 14.3 million metric tons (MT). Corn, rice, and sorghum are expected to remain stable. Production for these commodities for MY 2005/06 is 12.5 million MT, 596,000 MT, and 2.1 million MT, respectively. Corn feed domestic consumption is forecast to increase but should be offset by a fall in non-feed consumption. Total MY 2004/05 domestic corn consumption is forecast at 4.1 million MT. Wheat and wheat product exports are expected to continue increasing, as are rice exports. Sorghum and corn exports, however, are expected to be stable or down slightly.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Buenos Aires [AR1]
[AR]

Table of Contents

EXECUTIVE SUMMARY	3
PRODUCTION	3
Wheat	3
Feed Grains	3
Rice	3
CONSUMPTION	4
Wheat and Wheat Products Consumption	4
Feed Grains Consumption	4
TRADE	5
Wheat and Wheat Products Trade.....	5
Feed Grain Trade	5
Rice Trade	5
POLICY.....	6
Income Tax.....	6
Export Taxes and Rebates	6

EXECUTIVE SUMMARY

The forecast for the out year does not include major changes in area or production. Wheat area and production is forecast to increase slightly. Corn, sorghum, and rice are forecast to be stable.

The agricultural sector fared well the past year despite slow economic growth in other areas of the economy. Producers are in a very good financial position due to the sharp peso devaluation of early 2002, which has made Argentine exports more competitive, and strong export demand. Throughout the Argentine countryside, one can see new investments in silos, fences, machinery, and inputs. The countryside is dotted with white 'chorizos', or silo bags, as producers take advantage of this low cost on-farm storage development. The advent of the silo bag has also allowed farmers to better control the timing of the sale of their crop.

While drought affected wheat production in some parts of the country, other areas noted record level yields. Drought also delayed corn planting and development in some areas of the country.

PRODUCTION**Wheat**

Anticipating yields equal to the five-year average of 2.384 metric tons/hectare (MT/Ha), Post forecasts MY 2004/05 production at 14.3 million metric tons (MT). Harvested area is expected to increase slightly from last year's lower than expected area, a result of drought. Post forecasts Marketing Year (MY) 2004/05 (December – November) harvested area at 6 million Ha; up from MY 2003/04 estimated 5.7 million Ha.

Overall, MY 2003/04 harvest had good results. The major wheat producing areas (Buenos Aires Province and Southern Santa Fe Province) showed better than average yields due to rains during October – December that helped develop well-filled spikes. The absence of disease, which affected MY 2002/03 production, also helped production in this area. These higher yields offset losses from drought in other parts of the country.

Feed Grains

Post forecasts MY 2005/06 corn production at 12.5 million MT.

Harvested corn area is expected to fall slightly in MY 2005/06. The decrease in acreage is mainly due to the high cost of feed grain production relative to soybeans and the increase of corn for silage. Most producers that own their land will continue planting corn, as it is an important component in the rotation scheme of corn, wheat, and soybeans. However, producers who work rented land are less likely to plant corn because of lower costs of production for soybeans and because they are less concerned about the long-term productivity of the land.

Rice

Rice production is expected to remain stable for MY 2005/06. Post forecasts harvested area for MY 2005/06 at 170,000 hectares and production at 596,000 MT (milled).

Harvested rice area is placed at 170,000 Ha in MY 2004/05. As of February 27, only 41,000 Ha were harvested. The bulk of the harvest will occur over the next 3 – 4 weeks. Post expects average yields and estimates rice production for MY 2004/05 at 596,000 MT (milled).

CONSUMPTION**Wheat and Wheat Products Consumption**

Post forecasts MY 2004/05 domestic consumption at 5.2 million MT, unchanged from the previous year. Seed use is forecast to be approximately 720,000 MT (120 kg/Ha).

Post estimates MY 2003/04 domestic consumption will be flat at 5.2 million MT. An increase in domestic consumption is not probable as demand for wheat products (bread, cookies, pastas) is relatively inelastic. As income changes, the Argentine consumer does not change his overall consumption of wheat products, although the composition of consumption may change; i.e. he may substitute pasta for bread or vice versa.

According to statistics published by the Argentine Secretariat of Agriculture, 5.135 million tons of wheat was milled for flour and feed in MY 2002/03. Durum wheat accounted for only 3 percent of total wheat milled. Wheat milled for feed (durum and common) in MY 2002/03 totaled approximately 4,300 MT, down significantly from 27,300 MT in MY 2001/02. The availability of cheaper soy meal for animal feed is one factor that led to the decrease in use of wheat in feed.

Of the total wheat milled in MY 02/03, 703,000 MT of flour, pasta, and pre-mix (wheat equivalent) was exported. Seed use is estimated at 708,000 MT (120 kg/Ha). Total domestic consumption for MY 2002/2003 is estimated at 5.14 million MT.

Feed Grains Consumption

Post forecasts MY 2005/06 total domestic corn consumption stable at 4.1 million MT. Domestic feed consumption, however, is expected to increase to 2.7 million MT.

For MY 2005/06, Post is forecasting domestic consumption will remain stable at 1.9 million MT. Post's estimate for MY 2004/05 sorghum domestic consumption is lowered to reflect a decrease in production.

There are 14 functioning corn-milling plants in Argentina with an installed milling capacity of approximately 4,000 MT/day divided 75:25 percent between wet millers and dry millers. The Government of Argentina reports 1.76 million MT of corn was milled in MY 2002/03. During the first ten months of MY 2003/04 (through December 2003), 1.72 million MT of corn was milled. In 2002 (January – December), wet millers produced about 500,000 MT (800,000 MT grain equivalent) of corn sweeteners (glucose, dextrose, fructose 42 and fructose 55).

Dry milling is not as widespread as wet milling. Statistics on dry milling products (flour, semolina, etc) are not readily available, however, it is estimated only about 1 percent of corn production is destined to dry milling.

The animal feed industry makes up the major component of domestic corn consumption. Balanced feed rations are growing in popularity as more and more producers are turning toward feedlot systems of production to free up grazing lands for crop production (mainly soybean). Poultry production, as well, is expected to increase in the next few years, which will contribute to growing demand. Industry contacts estimate that the poultry industry consumes nearly 55 - 60 percent of the domestic corn supply.

There is anecdotal evidence that there has been an increase in the amount of corn that is converted to silage and never enters the formal marketing chain. This activity is usually carried out by producers who are producing corn as part of a rotation to improve their soils and not producing corn to sell in the market. The corn returns valuable nutrients to the soil and provides feed to the producer's livestock but does not generate enough income to justify selling it as grain. Corn silage is not included in the calculation of domestic consumption as it

is very difficult to quantify. However, one way to estimate silage is to look at the difference between planted area and harvested area. According to the Argentine Secretariat of Agriculture, in MY 2002/03 only 75 percent of planted area was harvested. The 25 percent loss could be attributed to silage, or the area may not have been harvested due to disease.

Other industry sources estimate domestic consumption, feed and non-feed, closer to 6 million MT. These estimates are based on calculations of feed per animal in the livestock and poultry sectors as well as milling rates for flour and sweeteners.

TRADE

Wheat and Wheat Products Trade

Post forecasts MY 2004/05 exports will continue in an upward trend as exporters look to take advantage of the favorable exchange rate. Post forecasts MY 2004/05 exports at 9 million MT. Brazil will continue to be the primary export destination for wheat products, especially bakery pre-mixes (see Policy section).

According to NOSIS, a private source, wheat and wheat product exports totaled 6.68 million MT (wheat equivalent) in MY 02/03. The following is a breakdown of wheat and wheat product exports in MY 02/03.

MY 2002/03 Exports*		
MT	HS Code	Total
Wheat	1001	5,980,803
Flour	1101	14,735
Pre-Mix	190120	664,835
Uncooked Pasta	190219	23,375
Other Pasta	190230	515
Total		6,684,262

* Wheat Equivalent

Source: NOSIS

Feed Grain Trade

Post forecasts MY 2005/06 corn exports will remain stable at 8.5 million MT as the decrease in production and slight increase in domestic consumption tighten exportable supply. Similarly, Post estimates MY 2004/05 corn exports will fall to 8.5 million MT.

NOSIS reports corn exports in the first eleven months of MY03/04, totaled 10.2 million MT. Post increases its estimate of MY03/04 to 11 million MT to reflect this data.

Post forecasts MY 2005/06 sorghum exports will remain stable. In MY 2004/05 sorghum exports are expected to fall compared to MY 2003/04 due to a fall in production.

Sorghum exports during the first eleven months of MY 2003/04 totaled 640,000 MT, in line with Post's estimate of 650,000 MT.

Rice Trade

Post expects MY 2004/05 rice exports will increase as a result of higher production and stable domestic consumption. Post estimates MY 2004/05 exports at 325,000 MT, in line with USDA/Washington's estimate.

NOSIS reports during the first 10 months of MY 2003/04, Argentina exported 121,228 MT (milled) of rice. During the same period approximately 16,000 MT of (milled equivalent) rice were imported.

POLICY

Income Tax

Changes to the income tax regulations earlier in the year require that exporters pay income tax on the price of the commodity at the time a sales contract is written or on the date of export, whichever is higher. The effects of this policy change are not immediately apparent.

Export Taxes and Rebates

Export taxes for grains and their by-products range from 5 – 20 percent depending on the level of processing. There has been a noticeable decrease in flour exports (H.S. code 1101) over the past year possibly due to its 20 percent export tax. Curiously, pre-mix (wheat flour combined with other ingredients for bread making; mainly used in the baking industry) exports (H.S. code 1901.20) increased significantly. Pre-mix exports are only charged a 5 percent export tax. In Brazil, the top market for Argentine pre-mix, there is worry that this product is displacing local production due to its lower price. Brazilian millers insist the product is no more than wheat flour mixed with just enough salt to fall under the lower taxed 'pre-mix' category in the tax schedule.

Exporters are also eligible for export rebates which vary according to the product. Processed products are rebated at a higher rate than primary products. These rebates are supposed to offset the taxes collected on the product during the manufacturing process.

Export taxes and rebates are as follows:

Argentine Customs Code	Description	Export Tax (%)	Export Rebate (%)
1005.1	Seed corn	5	2.05
1005.90.10	Corn - Grain	20	0
1005.90.101	Popcorn	5	3.4
1005.90.109	Other Corn	20	0
1005.90.90	Other Corn	20	0
1006.10.10	Seed Paddy Rice	5	2.05
1006.10.91	Parboiled Paddy Rice	10	0
1006.10.92	Not Parboiled Paddy Rice	10	0
1006.20.10	Parboiled Husked Rice	5	3.4
1006.20.20	Husked Rice, Not Parboiled	5	3.4
1006.30.11	Polished or Glazed Rice, Parboiled	5	4.05
1006.30.19	Other Rice, Parboiled, Polished, and/or Glazed	10	4.05
1006.30.21	Polished or Glazed Rice, Not Parboiled	5	4.05
1006.30.29	Other Rice, Not Parboiled, Polished, and/or Glazed	10	4.05
1006.4	Broken rice	10	2.05
1007.00.10	Seed Sorghum	5	2.05
1007.00.90	Sorghum - Grain	20	0
1001.10.10	Seed Wheat	5	2.05
1001.10.90	Wheat - Grain	20	0
1001.90.10	Seed Wheat	5	2.05
1001.90.90	Wheat - Grain	20	0
1101.00.10	Wheat Flour	20	2.7
1102.20.00	Corn Flour	20	3.4
1901.2	Mixes and Pastes for bakeries	5	5
1902.19	Uncooked Pasta	5	5
1902.3	Other Pasta	5	5

PSD Table

Country Commodity	Argentina				(1000 HA)(1000 MT)		UOM
	2002	Revised	2003	Estimate	2004	Forecast	
Market Year Begin	USDA Official [12/2002]	Estimate [03/2003]	DA Official [03/2003]	Estimate [03/2004]	DA Official [03/2004]	Estimate [New] [03/2005]	MM/YYYY
Area Harvested	5900	5900	5700	5700	0	6000	(1000 HA)
Beginning Stocks	1139	1139	1530	1550	1760	1860	(1000 MT)
Production	12300	12300	13500	13500	0	14300	(1000 MT)
TOTAL Mkt. Yr. Imports	7	10	10	10	0	0	(1000 MT)
Jul-Jun Imports	13	10	10	10	0	0	(1000 MT)
Jul-Jun Import U.S.	8	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	13446	13449	15040	15060	1760	16160	(1000 MT)
TOTAL Mkt. Yr. Exports	6759	6759	8000	8000	0	9000	(1000 MT)
Jul-Jun Exports	6276	5796	8000	8000	0	8000	(1000 MT)
Feed Dom. Consumption	80	4	80	4	0	0	(1000 MT)
TOTAL Dom. Consumptic	5157	5140	5280	5200	0	5200	(1000 MT)
Ending Stocks	1530	1550	1760	1860	0	1960	(1000 MT)
TOTAL DISTRIBUTION	13446	13449	15040	15060	0	16160	(1000 MT)

PSD Table

Country Commodity	Argentina				(1000 HA)(1000 MT)		UOM
	2002	Revised	2003	Estimate	2004	Forecast	
Market Year Begin	USDA Official [03/2003]	Estimate [03/2003]	DA Official [03/2003]	Estimate [03/2004]	DA Official [03/2004]	Estimate [New] [03/2005]	MM/YYYY
Area Harvested	2450	2450	2100	2100	0	2000	(1000 HA)
Beginning Stocks	325	389	840	904	750	814	(1000 MT)
Production	15500	15500	12500	12500	0	12500	(1000 MT)
TOTAL Mkt. Yr. Imports	15	15	10	10	0	0	(1000 MT)
Oct-Sep Imports	15	15	10	10	0	0	(1000 MT)
Oct-Sep Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	15840	15904	13350	13414	750	13314	(1000 MT)
TOTAL Mkt. Yr. Exports	11000	11000	8500	8500	0	8500	(1000 MT)
Oct-Sep Exports	12349	12349	9000	9000	0	0	(1000 MT)
Feed Dom. Consumption	2500	2500	2600	2600	0	2700	(1000 MT)
TOTAL Dom. Consumptic	4000	4000	4100	4100	0	4100	(1000 MT)
Ending Stocks	840	904	750	814	0	714	(1000 MT)
TOTAL DISTRIBUTION	15840	15904	13350	13414	0	13314	(1000 MT)

PSD Table

Country Commodity	Argentina				(1000 HA)(1000 MT)		UOM
	2002	Revised	2003	Estimate	2004	Forecast	
	USDA Official	Estimate [DA Official]	USDA Official	Estimate [DA Official]	USDA Official	Estimate [New]	
Market Year Begin	03/2003			03/2004		03/2005	MM/YYYY
Area Harvested	550	550	450	450	0	450	(1000 HA)
Beginning Stocks	478	478	429	429	129	229	(1000 MT)
Production	2800	2800	2100	2100	0	2100	(1000 MT)
TOTAL Mkt. Yr. Imports	1	1	0	0	0	0	(1000 MT)
Oct-Sep Imports	1	1	0	0	0	0	(1000 MT)
Oct-Sep Import U.S.	1	1	0	0	0	0	(1000 MT)
TOTAL SUPPLY	3279	3279	2529	2529	129	2329	(1000 MT)
TOTAL Mkt. Yr. Exports	650	650	500	400	0	400	(1000 MT)
Oct-Sep Exports	604	600	500	400	0	400	(1000 MT)
Feed Dom. Consumption	2100	2100	1800	1800	0	1800	(1000 MT)
TOTAL Dom. Consumptic	2200	2200	1900	1900	0	1900	(1000 MT)
Ending Stocks	429	429	129	229	0	29	(1000 MT)
TOTAL DISTRIBUTION	3279	3279	2529	2529	0	2329	(1000 MT)

PSD Table

Country Commodity	Argentina				(1000 HA)(1000 MT)		UOM
	2002	Revised	2003	Estimate	2004	Forecast	
	USDA Official	Estimate [DA Official]	USDA Official	Estimate [DA Official]	USDA Official	Estimate [New]	
Market Year Begin	04/2003			04/2004		04/2005	MM/YYYY
Area Harvested	133	133	165	170	0	170	(1000 HA)
Beginning Stocks	290	290	332	337	321	343	(1000 MT)
Milled Production	467	467	579	596	0	596	(1000 MT)
Rough Production	718	718	891	917	0	917	(1000 MT)
MILLING RATE (.9999)	6500	6500	6500	6500	0	6500	(1000 MT)
TOTAL Imports	15	20	10	10	0	10	(1000 MT)
Jan-Dec Imports	15	20	10	10	0	10	(1000 MT)
Jan-Dec Import U.S.	0	0	0	0	0	0	(1000 MT)
TOTAL SUPPLY	772	777	921	943	321	949	(1000 MT)
TOTAL Exports	175	175	325	325	0	325	(1000 MT)
Jan-Dec Exports	160	160	300	200	0	0	(1000 MT)
TOTAL Dom. Consumptic	265	265	275	275	0	275	(1000 MT)
Ending Stocks	332	337	321	343	0	349	(1000 MT)
TOTAL DISTRIBUTION	772	777	921	943	0	949	(1000 MT)

Prices Table

Country Argentina

Commodity Corn

Prices in per uom

Year	<input type="text" value="2002"/>	2003	% Change
Jan	No Data	242.83	
Feb	153.10	237.45	55%
Mar	165.13	205.92	25%
Apr	192.01	217.53	13%
May	234.55	226.36	-3%
Jun	264.69	221.02	-16%
Jul	268.00	204.92	-24%
Aug	288.09	225.58	-22%
Sep	301.02	228.91	-24%
Oct	294.14	222.55	-24%
Nov	289.00	250.05	-13%
Dec	292.00	255.11	-13%

Exchange Rate Local Currency/US \$

Date of Quote MM/DD/YYYY

Prices Table

Country Argentina

Commodity Wheat

Prices in per uom

Year	<input type="text" value="2002"/>	2003	% Change
Jan	144.66	378.06	161%
Feb	No Data	382.68	
Mar	256.66	390.00	52%
Apr	314.23	370.00	18%
May	376.75	400.00	6%
Jun	428.75	384.98	-10%
Jul	460.00	360.50	-22%
Aug	499.00	371.99	-25%
Sep	544.43	370.90	-32%
Oct	503.33	356.67	-29%
Nov	437.25	393.33	-10%
Dec	392.50	389.83	-1%

Exchange Rate Local Currency/US \$

Date of Quote MM/DD/YYYY

Prices Table

Country Argentina

Commodity Sorghum

Prices in **US\$** per uom **MT**

Year	2002	2003	% Change
Jan	No Data	224.83	
Feb	103.08	191.89	86%
Mar	118.42	150.88	27%
Apr	130.59	140.00	7%
May	201.15	171.31	-15%
Jun	191.39	176.58	-8%
Jul	185.69	160.28	-14%
Aug	216.91	175.50	-19%
Sep	257.68	183.39	-29%
Oct	249.73	184.92	-26%
Nov	258.85	205.36	-21%
Dec	253.75	220.00	-13%

Exchange Rate **2.94** Local Currency/US \$

Date of Quote **3/4/2004** MM/DD/YYYY